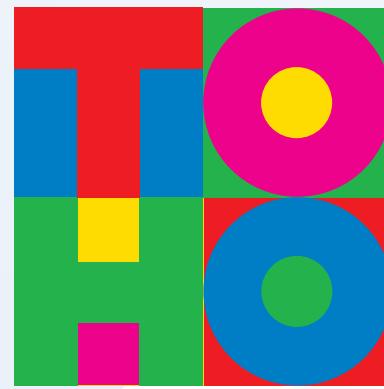


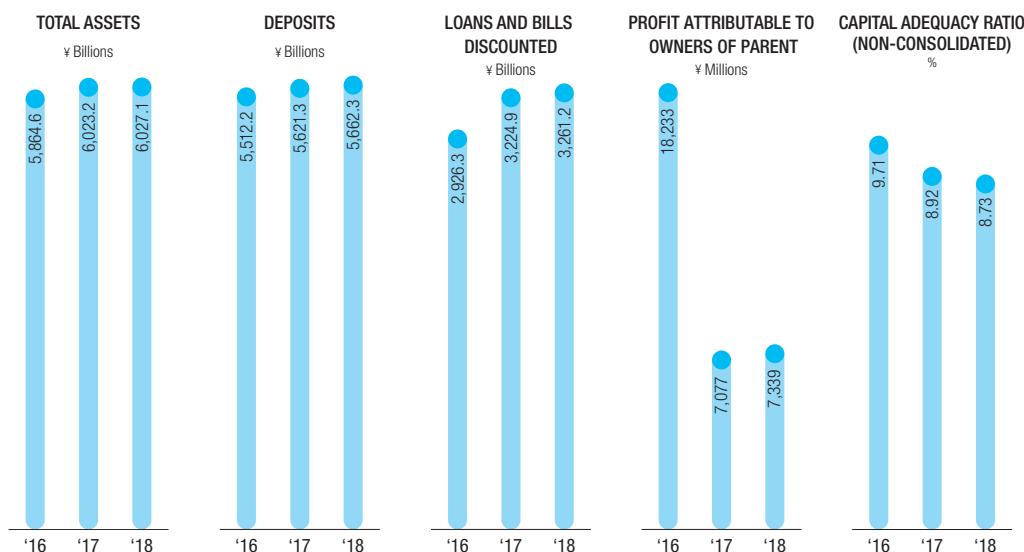
2018 ANNUAL REPORT

Year Ended March 31, 2018



As the leading bank in Fukushima Prefecture, Toho Bank has contributed to the prosperity of its local communities since being established in November 1941. In response to the trust placed in us by our customers and the market region we serve, from April 2015 to March 2018 we implemented our medium-term management plan, "Toho Summit Plan," as an action program. Our goal is embodied as the slogan "Be Large, Strong, and Powerful, serving the region with passion, and customers with sincerity and caring for people" (our long-term vision). We are aggressively addressing our customers' increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a senior long-term credit rating of "A" from Japan Credit Rating Agency, Ltd. (JCR), one of Japan's representative rating agencies.

As of March 31, 2018, Toho Bank had total net assets of ¥199.9 billion (US\$1,882 million) and total assets of ¥6,027.1 billion (US\$56,731 million) (both figures on a consolidated basis), 2,167 employees, and a business network composed of 118 branches.



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Message from the President

Business Development and Results

[Contributing to Fukushima from Reconstruction to Growth]

Toho Bank has made efforts to provide smooth funding sources and to invest in the revitalization of the industry for reconstruction in the aftermath of the Great East Japan Earthquake, while proactively participating in reconstruction assistance business.

As part of these efforts, the Bank regularly held the "Toho 'Support Entrepreneurs' Consultation Event" and "Toho Start-up Support Seminar" to provide support for customers who plan to start up new companies and businesses, and also provided products to fill a variety of funding needs, such as the "Toho Home Town Dynamic Engagement Support Private Placement Bond," from which a portion of issuance fees are donated to organizations such as schools with the aim of regional revitalization. The Bank also worked to support overseas expansion through holding business talks in areas such as China, Vietnam, and Thailand.

In addition, the Bank proactively provided management and business revitalization support to customers affected by the Great East Japan Earthquake and the accident at Fukushima Daiichi Nuclear Power Station, in cooperation with external organizations such as the Regional Economy Vitalization Corporation of Japan and the SME Business Rehabilitation Support Co-operative.

[Efforts for Regional Revitalization]

To tackle various issues toward regional revitalization, the Bank implemented measures in cooperation with customers and local authorities. These included the continuous holding of "Support Your Home Town – Meeting of Fukushima's Businessmen in Tokyo" for networking with businessmen from Fukushima Prefecture now based in Tokyo and "Support Your Home Town – Fukushima Sake Matsuri" for promoting Fukushima's local sake, alongside entering the "Vacant Housing Countermeasure Cooperation Agreement" with Fukushima City and entering the "Comprehensive Cooperation Agreement" with Namie Town, which is seeking to create additional momentum in its revitalization efforts.

Additionally, in March 2018, as a measure for part of the Fukushima Innovation Coast Framework, the Bank agreed to begin initiatives with Mizuho Financial Group, Inc. for "Proof-of-concept Testing Toward Realizing Cashless Framework," with the Hamadori region of Fukushima Prefecture as the target area.

[Becoming the Bank that Customers Choose]

In order to address the increasingly diverse needs of customers, Toho Bank strives proactively to strengthen products and services.

In June 2017, the Bank commenced the "Testamentary Trust and Inheritance Liquidation Business" as the first regional bank in the Tohoku region to do so. Interest in the smooth asset inheritance of our customers' valuable assets has been high, and we have already fielded over 900 inquiries as of March 31, 2018.

Additionally, in November 2017, the Bank began services for "Toho Smartphone Bankbook Plus," a service that does not issue bankbooks and allows for customers to check account balances and transaction histories at any time from a smartphone or other device.

In measures for customers managing businesses, through expanded efforts in "Sales Based on Proposal of Management Issues," the Bank is proactively working to solve business challenges faced by customers in areas such as business succession, M&A (mergers and acquisitions by companies), and business matching.

In particular, as a result of its efforts in M&A, Toho Bank received awards from Nihon M&A Center Inc. four years in a row, in recognition of its achievements in efforts to support business succession, an area with high interest from customers.

Furthermore, the Bank is a member of the TSUBASA Alliance (Member banks: Toho Bank, Chiba Bank, Daishi Bank, Chugoku Bank, Iyo Bank, North Pacific Bank, and Hokuetsu Bank), and in October 2017, we began development of the "TSUBASA FinTech Shared Foundation" (Open API (Note 1)) and are steadily moving forward with FinTech efforts.



President
Seishi Kitamura

In March 2018, the Bank began full-scale deliberations on participation in "TSUBASA Backbone System Unification (Note 2)" as a next-generation backbone system (Note 3). Through participation in the unification of this system, we can expect benefits including the maintenance of a system environment that can flexibly respond to changes in the financial environment and an acceleration in advanced product development and service provision. We will formally determine our participation during the first half of the fiscal year ending March 31, 2020.

- (Notes)1. API: Application Programming Interface. A framework that allows external connections to safely retrieve information from banking systems, etc., if banking customers provide consent. Providing specifications, etc., to external businesses such as those in FinTech is referred to as an "Open API."
2. A system constructed by The Chiba Bank, Ltd., The Daishi Bank, Ltd., The Chugoku Bank, Limited, and IBM Japan Ltd for joint development, operation, and maintenance.
3. Refers to core banking systems that handle operations including deposits, lending, and domestic exchange.

[Establishing a Sustainable Corporate Culture]

Focusing on the continuous growth of the Bank, we have made efforts in strengthening our corporate culture, promoting diversity in working styles and improving job satisfaction.

Strengthening our corporate culture is one of the highest priority issues and has been addressed in a cross-sectoral manner where management has led efforts aimed at efficient and productive operation as well as those aimed at a fundamental review of the cost structure.

On another front, in order to further promote work-life balance (the balance between jobs and families) and productivity, we have implemented "Work Style Reform."

To support diverse work styles and improve job satisfaction, the Bank has embarked on initiatives such as introducing a comprehensive flextime system, and in March 2018, we opened our third nursery on branch grounds.

Such measures have been well-received, and in December 2017, we were awarded the "FY2017 'Prime Minister Award' for Advanced Companies Where Women Shine" by the Cabinet Office and the "Health, Labour and Welfare Minister Excellence Award" in the Family-friendly Company Section of the Equal Employment and Balance Promotion Company Award" by the Ministry of Health, Labour and Welfare.

Furthermore, to develop personnel that can support the Bank's growth, we began holding the "TOHO Morning School" and the "TOHO Evening School." This utilizes the flextime system to create environments where employees can use mornings and evenings for self-development, and we are advancing measures to enable employees to hone their skills in various areas.

Additionally, the Bank is proactively implementing training dispatches to organizations such as major corporations both inside and

outside Japan, graduate schools, and government offices. In particular, the number of dispatches to the Regional Banks Association of Japan is one of the highest among regional banks, creating a rich personnel development system.

Developments in CSR Activities ☞

Toho Bank has promoted the following corporate social responsibility (CSR) activities for the growth and development of the regional society.

[Sports Promotion Activities]

Toho Bank invited former major leaguer Koji Uehara (currently with the Yomiuri Giants) and former Nippon Professional Baseball player from Fukushima Prefecture Takahiro Suzuki (retired from the Yomiuri Giants) to hold a baseball class for elementary school and junior high school students who will assume a leading role in Fukushima in the future. In addition, the Bank sent the members of its track and field club to open athletic sports classes and held activities such as the relay contest "Fukushima Relays" again this year, for elementary school, junior high school, and senior high school students, continuing to work to promote sports in the region.

[Financial Economics Education Activities]

As an effort to provide financial education support, the Bank continued to hold the "Regional Finance Course" (15 series of lectures) in Fukushima University, which was organized by Toho Bank, and a Fukushima prefectural tournament for "Economics Koshien," a quiz tournament in financial economics for senior high school students nationwide. The "TOHO Financial Class for Parents and Children," a class designed for elementary school students, was also offered again this year.

[Environmental Preservation Activities]

Toho Bank continued to proactively participate in the "Forest Creation by Business Entities" plan promoted by Fukushima Prefecture and took part in "Toho Minna-no Morizukuri" tree planting activities in Minamisoma City and Soma City.

[Volunteer Activities]

Toho Bank participated as volunteers at the "Kawauchi-no Sato Kaeru Marathon," which hopes to revitalize Kawauchi Village, and provided operational support to the "Panda House," a housing facility for children in disease recovery and their caring families.

As a result of these efforts, the business results and business volumes for the fiscal year ended March 31, 2018 are as described below.

Summary of Business Results ☞

[Deposits, Negotiable Certificates of Deposits, etc.]

A decrease in public deposits caused deposits to decrease by ¥7.0 billion during the fiscal year to ¥5,229.8 billion. However, individual and institutional deposits each increased by ¥50.5 billion and ¥67.2 billion, respectively, during the fiscal year.

Total deposits, including negotiable certificates of deposits, increased by ¥41.1 billion during the fiscal year and the balance at the end of the fiscal year was ¥5,676.4 billion.

Balance of total assets on deposit which is based on the sum of total deposits and assets on deposit was ¥6,123.0 billion due to the balance of assets on deposit including investment trusts, life insurance and public bonds of ¥446.6 billion.

[Overview of Non-consolidated Accounts for the Fiscal Year Ended March 31, 2018]

Non-consolidated operating income decreased by ¥353 million from the previous fiscal year to ¥64,491 million due mainly to a decrease in gains related to securities, etc., despite increases in interest on loans and discounts and fees and commissions amid a financial environment with ultra-low interest rates.

Non-consolidated operating expenses increased by ¥113 million from the previous fiscal year to ¥54,329 million due mainly to an increase in credit provisions.

As a result, non-consolidated ordinary income decreased by ¥467 million from the previous fiscal year to ¥10,162 million.

Additionally, non-consolidated net income decreased by ¥301 million from the previous fiscal year to ¥7,083 million in line with the decrease in non-consolidated ordinary income.

[Overview of Consolidated Accounts for the Fiscal Year Ended March 31, 2018]

Operating income increased by ¥305 million from the previous fiscal year to ¥70,605 million due mainly to an increase in interest on loans and discounts owing to stronger lending, an increase in fees and commissions, and strong results from Group companies, despite being subject to a financial environment with ultra-low interest rates.

Operating expenses decreased by ¥22 million from the previous fiscal year to ¥59,585 million due mainly to lower expenses resulting from efforts to reduce costs.

As a result, ordinary income increased by ¥327 million from the previous fiscal year to ¥11,019 million.

Additionally, total comprehensive income attributable to shareholders of the parent increased by ¥262 million from the previous fiscal year to ¥7,339 million in line with the increase in ordinary income.

Matters to Address ☞

Fukushima Prefecture, Toho Bank's principal operational base, is creating an environment for further growth, driven mainly by new industrial promotion through the Innovation Coast Framework and the gradual opening of the Tohoku-Chuo Expressway.

On the other hand, some people are not able to return home yet even after seven years have passed since the Great East Japan Earthquake and the nuclear accident.

Meanwhile, the environment surrounding the finance industry is undergoing significant change, highlighted by continued monetary easing policies such as negative interest rate policies, market contraction due to a shrinking population, and rapid development of financial IT. To seize the opportunities this change will bring and create growth and development for the Bank, it will be necessary to sincerely grasp regional issues and customer needs with speed.

Under this recognition, the Bank has defined its long-term vision of "Enrich the region and provide prosperity for customers through our growth: Bigger, stronger, sturdier." To realize this vision, we have formulated the new "Toho 'Healthy Bank, Sound Bank' Plan" medium-term management plan that covers the three years from the fiscal year ending March 31, 2019.

The new medium-term management plan focuses on the following five basic principles:

- Proactive contribution to realizing full participation in the region
- Promotion of sales strategies that put the region and customers first
- Establishing healthy corporate foundations to win against a changing corporate environment
- Developing personnel to handle regional and customer growth
- Creating lively workplaces through work style reforms

Through the achievement of these five basic principles, we will meet the expectations of the Bank's customers, shareholders, and regional society, expressing our commitment toward fulfilling our mission as a regional financial institution.

August 2018

北村 清士
S. Kitamura

Seishi Kitamura

President

Consolidated Balance Sheets

As of March 31, 2018 and 2017

	Millions of Yen	2017	Thousands of U.S. Dollars (Note 3)
	2018	2017	2018
Assets:			
Cash and due from banks (Notes 15 and 20).....	¥1,417,119	¥1,157,095	\$13,338,847
Call loans and bills bought (Note 20)	—	3,000	—
Monetary claims bought	13,584	13,848	127,870
Trading account securities (Notes 20 and 21)	875	149	8,243
Money held in trust (Note 22).....	13,714	12,588	129,091
Securities (Notes 6, 10, 20 and 21).....	1,195,709	1,525,440	11,254,794
Loans and bills discounted (Notes 4, 7, 20 and 26).....	3,261,214	3,224,997	30,696,674
Foreign exchanges	749	1,033	7,053
Lease receivables and investment assets (Note 19).....	8,897	7,625	83,751
Other assets (Notes 6, 20 and 23)	75,573	35,978	711,349
Tangible fixed assets (Note 8)	39,933	40,314	375,875
Intangible fixed assets	2,490	2,267	23,438
Deferred tax assets (Note 16)	3,078	2,686	28,974
Customers' liabilities for acceptances and guarantees (Note 5)	6,337	8,443	59,656
Allowance for loan losses (Note 20).....	(12,123)	(12,186)	(114,118)
Total assets	¥6,027,154	¥6,023,282	\$56,731,501
Liabilities:			
Deposits (Notes 6 and 20)	¥5,662,327	¥5,621,319	\$53,297,510
Call money and bills sold	16,998	23,559	160,000
Payables under securities lending transactions (Notes 6 and 20).....	81,956	103,246	771,430
Borrowed money (Notes 6, 9 and 28)	23,957	34,402	225,501
Foreign exchanges	178	133	1,680
Other liabilities (Notes 20 and 23)	25,362	25,117	238,727
Net defined benefit liability (Note 17)	5,629	6,469	52,986
Provision for directors' retirement benefits	—	35	—
Provision for reimbursement of deposits	756	687	7,118
Provision for contingent loss	401	398	3,776
Provision for customer point program	170	169	1,607
Reserve under special laws	0	0	1
Deferred tax liabilities (Note 16)	205	148	1,933
Deferred tax liabilities for land revaluation (Note 16)	2,904	2,990	27,335
Acceptances and guarantees (Note 5)	6,337	8,443	59,656
Total liabilities	5,827,186	5,827,122	54,849,266
Commitments and contingent liabilities (Note 7)			
Net Assets (Note 14):			
Capital stock	23,519	23,519	221,378
Capital surplus	13,653	13,653	128,515
Retained earnings	150,009	144,484	1,411,988
Treasury stock	(145)	(144)	(1,369)
Shareholders' equity	187,036	181,512	1,760,512
Valuation difference on available-for-sale securities (Note 21)	15,501	19,905	145,908
Deferred gains or losses on hedges (Note 23)	—	(2,071)	—
Revaluation reserve for land (Note 2(f))	604	806	5,694
Remeasurements of defined benefit plans (Note 17)	(3,174)	(3,993)	(29,880)
Total accumulated other comprehensive income	12,931	14,647	121,722
Total net assets (Note 18)	199,968	196,159	1,882,235
Total liabilities and net assets	¥6,027,154	¥6,023,282	\$56,731,501

See notes to consolidated financial statements.

◆ Consolidated Statements of Income

For the years ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2018	2017	2018
Income:			
Interest income:			
Interest on loans and discounts	¥28,655	¥28,452	\$269,723
Interest and dividends on securities	10,889	11,221	102,496
Other interest income	994	1,036	9,360
Fees and commissions income	15,784	14,972	148,570
Other operating income	10,432	10,366	98,194
Other income (Note 12)	4,020	4,289	37,844
Total income	70,776	70,340	666,191
Expenses:			
Interest expenses:			
Interest on deposits	774	971	7,292
Interest on borrowings and rediscounts	477	650	4,491
Other interest expenses	1,387	946	13,063
Fees and commissions expenses	5,514	5,582	51,906
Other operating expenses	9,634	9,466	90,686
General and administrative expenses (Note 11)	39,083	39,597	367,881
Other expenses (Note 13)	3,133	2,727	29,492
Total expenses	60,006	59,943	564,815
Profit before income taxes	10,770	10,397	101,375
Income taxes (Note 16):			
Current	3,219	2,261	30,304
Deferred	210	1,058	1,984
Total	3,430	3,319	32,289
Profit	7,339	7,077	69,085
Profit attributable to owners of parent (Note 18)	¥ 7,339	¥ 7,077	\$ 69,085

See notes to consolidated financial statements.

◆ Consolidated Statements of Comprehensive Income

For the years ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2018	2017	2018
Profit	¥ 7,339	¥ 7,077	\$ 69,085
Other comprehensive income (Note 24):			
Valuation difference on available-for-sale securities	(4,403)	(10,133)	(41,450)
Deferred gains or losses on hedges	2,071	2,578	19,497
Remeasurements of defined benefit plans, net of tax (Note 17)	818	503	7,705
Total other comprehensive income	(1,513)	(7,051)	(14,247)
Comprehensive income	¥ 5,825	¥ 25	\$ 54,837
Total comprehensive income attributable to:			
Owners of parent	¥ 5,825	¥ 25	\$ 54,837

See notes to consolidated financial statements.

◆ Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2018 and 2017

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2016	¥23,519	¥13,653	¥139,422	¥(142)	¥176,452
Changes of items during the year					
Dividends from retained earnings.....			(2,142)		(2,142)
Profit attributable to owners of parent			7,077		7,077
Acquisition of treasury stock.....				(2)	(2)
Reversal of land revaluation excess, net of tax			127		127
Net changes of items other than stockholders' equity during year	—	—	5,062	(2)	5,059
Total changes of items during the year	—	—	5,062	(2)	5,059
BALANCE, April 1, 2017	¥23,519	¥13,653	¥144,484	¥(144)	¥181,512
Changes of items during the year					
Dividends from retained earnings.....			(2,016)		(2,016)
Profit attributable to owners of parent			7,339		7,339
Acquisition of treasury stock.....				(0)	(0)
Reversal of land revaluation excess, net of tax			201		201
Net changes of items other than stockholders' equity during year	—	—	5,524	(0)	5,524
Total changes of items during the year	—	—	5,524	(0)	5,524
BALANCE, March 31, 2018	¥23,519	¥13,653	¥150,009	¥(145)	¥187,036

	Millions of Yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
BALANCE, April 1, 2016	¥ 30,038	¥(4,649)	¥ 934	¥(4,496)	¥21,826	¥198,279
Changes of items during the year						
Dividends from retained earnings.....					(2,142)	
Profit attributable to owners of parent					7,077	
Acquisition of treasury stock.....					(2)	
Reversal of land revaluation excess, net of tax					127	
Net changes of items other than stockholders' equity during year	(10,133)	2,578	(127)	503	(7,179)	(7,179)
Total changes of items during the year	(10,133)	2,578	(127)	503	(7,179)	(2,119)
BALANCE, April 1, 2017	¥ 19,905	¥(2,071)	¥ 806	¥(3,993)	¥14,647	¥196,159
Changes of items during the year						
Dividends from retained earnings.....					(2,016)	
Profit attributable to owners of parent					7,339	
Acquisition of treasury stock.....					(0)	
Reversal of land revaluation excess, net of tax					201	
Net changes of items other than stockholders' equity during year	(4,403)	2,071	(201)	818	(1,715)	(1,715)
Total changes of items during the year	(4,403)	2,071	(201)	818	(1,715)	3,808
BALANCE, March 31, 2018	¥ 15,501	¥ —	¥ 604	¥(3,174)	¥12,931	¥199,968

	Thousands of U.S. Dollars (Note 3)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2017	\$221,378	\$128,515	\$1,359,985	\$(1,364)	\$1,708,515
Changes of items during the year					
Dividends from retained earnings.....			(18,980)		(18,980)
Profit attributable to owners of parent			69,085		69,085
Acquisition of treasury stock.....				(5)	(5)
Reversal of land revaluation excess, net of tax			1,897		1,897
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	—	52,003	(5)	51,997
BALANCE, March 31, 2018	\$221,378	\$128,515	\$1,411,988	\$(1,369)	\$1,760,512

	Thousands of U.S. Dollars (Note 3)					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Total net assets
BALANCE, April 1, 2017	\$187,359	\$(19,497)	\$ 7,592	\$(37,585)	\$137,868	\$1,846,383
Changes of items during the year						
Dividends from retained earnings.....						(18,980)
Profit attributable to owners of parent						69,085
Acquisition of treasury stock.....						(5)
Reversal of land revaluation excess, net of tax						1,897
Net changes of items other than stockholders' equity during year	(41,450)	19,497	(1,897)	7,705	(16,145)	(16,145)
Total changes of items during the year	(41,450)	19,497	(1,897)	7,705	(16,145)	35,851
BALANCE, March 31, 2018	\$145,908	\$ —	\$ 5,694	\$(29,880)	\$121,722	\$1,882,235

◆ Consolidated Statements of Cash Flows

For the years ended March 31, 2018 and 2017

	Millions of Yen	2017	Thousands of U.S. Dollars (Note 3)
	2018	2017	2018
Cash flows from operating activities			
Profit before income taxes.....	¥ 10,770	¥ 10,397	\$ 101,375
Depreciation expense.....	2,397	2,806	22,564
Impairment loss.....	303	80	2,861
Net decrease in allowance for loan losses	(62)	(1,687)	(588)
Decrease in net defined benefit liability	(839)	(802)	(7,904)
Decrease in provision for directors' retirement benefits	(35)	(21)	(334)
Increase in provision for reimbursement of deposits.....	68	56	647
Increase (decrease) in provision for contingent loss.....	2	(12)	28
Increase in provision for customer point program.....	1	55	14
Interest income.....	(40,539)	(40,710)	(381,580)
Interest expenses	2,639	2,568	24,848
Net gain on securities	(947)	(2,047)	(8,921)
Net gain on money held in trust.....	(308)	(150)	(2,900)
Net loss on foreign exchange	3	1	30
Net loss on sale of fixed assets.....	43	165	411
(Increase) decrease in trading account securities.....	(726)	101	(6,840)
Increase in loans and bills discounted	(36,216)	(298,674)	(340,897)
Increase (decrease) in deposits.....	(7,187)	102,261	(67,655)
Increase in negotiable certificates of deposit.....	48,195	6,835	453,648
Decrease in borrowed money (excluding subordinated borrowings)	(645)	(594)	(6,077)
(Increase) decrease in due from banks other than BOJ.....	6,857	(6,478)	64,543
(Increase) decrease in call loans and bills bought.....	3,263	(2,999)	30,717
Decrease in call money and bills sold.....	(6,561)	(20,385)	(61,761)
Increase (decrease) in payables under securities lending transactions.....	(21,289)	75,936	(200,393)
(Increase) decrease in foreign exchange assets	284	(38)	2,676
Increase in foreign exchange liabilities	45	42	425
(Increase) decrease in lease receivables and investment assets.....	(1,272)	210	(11,974)
Interest received.....	40,614	41,226	382,288
Interest paid	(2,668)	(2,680)	(25,116)
All other operating activities.....	(29,608)	(22,473)	(278,692)
Sub-total	(33,418)	(157,010)	(314,557)
Income taxes paid, net	(1,222)	(4,006)	(11,505)
Net cash used in operating activities	(34,640)	(161,016)	(326,062)
Cash flows from investing activities			
Purchase of equity and other securities.....	(134,113)	(360,344)	(1,262,364)
Proceeds from sales of equity and other securities.....	178,662	133,826	1,681,689
Proceeds from maturities of securities	272,409	225,264	2,564,096
Increase in money held in trust.....	(5,450)	(1,559)	(51,298)
Decrease in money held in trust.....	4,600	941	43,298
Expenditures for tangible fixed assets	(2,072)	(2,688)	(19,511)
Proceeds from sales of tangible fixed assets	171	473	1,613
Expenditures for intangible fixed assets.....	(865)	(940)	(8,146)
Net cash provided by (used in) investing activities	313,341	(5,026)	2,949,375
Cash flows from financing activities			
Repayments of subordinated borrowings.....	(9,800)	—	(92,243)
Dividends paid.....	(2,016)	(2,142)	(18,980)
Purchase of treasury stock.....	(0)	(2)	(5)
Net cash used in financing activities	(11,817)	(2,145)	(111,229)
Effect of exchange rate changes in cash and cash equivalents	(3)	(1)	(30)
Net increase (decrease) in cash and cash equivalents	266,880	(168,189)	2,512,052
Cash and cash equivalents at beginning of fiscal year	1,149,546	1,317,735	10,820,280
Cash and cash equivalents at end of fiscal year (Note 15)	¥1,416,427	¥1,149,546	\$13,332,332

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared from the accounts and records maintained by them in accordance with accounting principles generally accepted in Japan which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan.

For the convenience of readers outside Japan, certain items presented in the Japanese original financial statements have been reclassified and rearranged. In addition, certain prior year amounts have been reclassified for consistency with the current year presentation.

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are consolidated, and those companies (affiliates) over which the Group has the ability to exercise significant influence are accounted for by the equity method.

(1) Scope of consolidation

The number of consolidated subsidiaries and unconsolidated subsidiaries as of March 31, 2018 and 2017 is as follows:

	2018	2017
Number of consolidated subsidiaries:	7	7
Number of unconsolidated subsidiaries:.....	2	2

The unconsolidated subsidiaries are excluded from the scope of consolidation since their exclusions do not preclude reasonable judgment on the Group's financial position and financial performance in terms of their assets, net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

(2) Application of the equity method

The number of affiliates accounted for by the equity method and unconsolidated subsidiaries and affiliates not accounted for by the equity method as of March 31, 2018 and 2017 is as follows:

	2018	2017
Number of affiliates accounted for by the equity method.....	—	—
Number of unconsolidated subsidiaries not accounted for by the equity method.....	2	2
Number of affiliates not accounted for by the equity method	1	—

The unconsolidated subsidiaries and affiliates not accounted for by the equity method are excluded from the scope of equity method since their exclusions do not have material effects on the consolidated financial statements in terms of their net income (amount corresponding to the Bank's equity interests), retained earnings (amount corresponding to the Bank's equity interests) and accumulated other comprehensive income (amount corresponding to the Bank's equity interests), etc.

(3) Closing date of the consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

(b) Trading account securities

Trading account securities are stated at fair value at the end of the year.

The moving average cost method is used to determine the cost of securities sold.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are in principle stated at fair value at the end of the year or, if the fair value is considered to be extremely difficult to obtain, at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Depreciation of fixed assets

(1) Depreciation of tangible fixed assets of the Bank (except leased assets) is computed under the straight-line method. The estimated useful lives of assets are as follows:

Buildings: 6–50 years

Others: 3–20 years

(2) Depreciation of intangible fixed assets (except leased assets) is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of 5 years, as set out by the Group.

(3) Depreciation of leased assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(f) Revaluation of land

In accordance with the Act on Revaluation of Land enacted on March 31, 1998 (the "Act"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported as "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation."

The amount of excess of the revalued carrying amount over the fair value of the lands revalued as of March 31, 2018 and 2017 pursuant to Article 10 of the Act was ¥8,662 million and ¥9,565 million, respectively.

(g) Allowance for loan losses

The allowance for loan losses of the Bank is made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the allowance for loan losses has been provided for as described below.

For loans to borrowers which are classified as substantially bankrupt or which are bankrupt in the formal legal sense, a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible, a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and the estimated amounts recoverable under guarantees.

For other loans, a reserve is provided based on the Bank's historical loan loss experience.

The above procedures for providing reserves follow the Bank's internally established rules for self-assessment of the quality of all the Bank's loan assets, which have been audited by the Audit Department.

The allowance for loan losses of consolidated subsidiaries is made as follows: for general loans, a reserve is provided in the amount deemed necessary based on historical loan loss experience and for doubtful loans and other specified loans, a reserve is provided based on the individual collectability of specific claims.

(h) Provision for directors' retirement benefits

The provision for directors' retirement benefits of the consolidated subsidiaries is provided at the amount that would be required to be paid based on internally established standards if directors retired at the end of the year.

(Additional information)

At their Board of Directors meetings on June 19, 2017, consolidated subsidiaries resolved to abolish the existing directors' retirement benefits system at the conclusion of the general meetings of shareholders on June 27, 2017, and a proposal on lump-sum payment of directors' retirement benefits was approved at the said general meetings of shareholders. Accordingly, the entire amount of Provision for directors' retirement benefits was reversed, and the lump-sum payable of ¥26 million has been included in "Other liabilities" as it will be settled upon retirement of each director.

(i) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the future reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(j) Provision for contingent loss

The provision for contingent loss is provided for possible losses from contingencies, which are not covered by other specific provisions.

(k) Provision for customer point program

The provision for customer point program is provided based on a reasonable estimate for expected future purchases to be made by customers with reward points which are granted when they use co-branded credit cards issued by the Group.

(l) Reserve under special laws

The reserve under special laws is provided as cash collateral for financial products transactions for consolidated subsidiaries which engage in the securities business. The reserve is calculated in accordance with the provisions set forth in Article 46-5, Paragraph 1 of the Financial Instruments and Exchange Act and Article 175 of the Cabinet Office Ordinance on Financial Instruments Business, etc., to compensate for a loss incurred in an accident in relation to agency transactions of exchange derivatives.

(m) Method for accounting for retirement benefits

The retirement benefit obligation is attributed to each period on a benefit formula basis. Amortization of prior service cost and actuarial gain or loss is computed as follows:

Prior service cost is amortized using the straight-line method over a period of 3 years from the year when incurred which is within the average remaining service period of active employees.

Actuarial gain or loss is amortized using the straight-line method over a period of 10 years from the year following the year when incurred which is within the average remaining service period of active employees.

For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries apply the simplified method (the "simplified method") where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

(n) Translation of foreign currency assets and liabilities

Assets and liabilities are translated into Japanese yen mainly at the exchange rates prevailing at the consolidated balance sheet date. In addition, assets and liabilities of certain consolidated subsidiaries are translated at the exchange rates prevailing at the respective balance sheet dates of these subsidiaries.

(o) Leases

(Lessor)

Finance lease transactions that do not transfer ownership with commencement dates prior to the fiscal years beginning on April 1, 2008, are accounted for in accordance with "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan (ASBJ) Statement No. 13, March 30, 2007) and Paragraph 81 of "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 25, 2011). Lease investment assets at the initial year of application of this accounting standard are valued at their appropriate book value of tangible fixed assets (net of accumulated depreciation) as of March 31, 2008.

In addition, the total amount equivalent to interest over the remaining term after the application of this accounting standard is allocated over the lease terms by the straight-line method.

(p) Income and expenses

Income and expenses associated with finance lease transactions are recognized as sales and cost of sales at the time of receiving the lease fee.

(q) Method of hedge accounting

(1) Interest rate risks

Deferred hedge accounting is adopted for hedges carried out to control interest rate risk arising from financial assets and liabilities, as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24, February 13, 2002). Regarding the hedge which is intended to offset the effects of market fluctuations, hedge effectiveness between hedged items (such as deposits and loans and bills discounted) and hedging instruments (such as interest rate swaps) are assessed individually. Hedge effectiveness is considered to be high as the major terms between designated hedged items and hedging instruments are almost the same, thus substituting for evaluation of hedge effectiveness. The effectiveness is also assessed by verifying the correlation of the interest rates.

The Bank applies the special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets (the "special treatment") and liabilities whereby interest is recognized on an accrual basis.

(2) Currency risks

Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.

(r) Statements of cash flows

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

(s) Consumption taxes

National and local consumption taxes of the Bank and its consolidated subsidiaries are accounted for using the tax-excluded method whereby transactions are recorded exclusive of those consumption taxes.

(t) New accounting pronouncements

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

This is a comprehensive standard on revenue recognition. Revenue will be recognized based on the following 5 steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations under the contract.

Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation.

(2) Application date

The Bank will apply these accounting standards from the beginning of the year ending March 31, 2022.

(3) The impact from the adoption of the accounting standards

The Bank is currently assessing the impact of these standards on the consolidated financial statements.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥106.24 = U.S. \$1.00, the exchange rate prevailing on March 31, 2018. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2018 and 2017 included the following loans:

March 31	Millions of Yen	
	2018	2017
Loans to borrowers in bankruptcy.....	¥ 3,454	¥ 1,860
Delinquent loans	23,212	27,202
Loans past due 3 months or more.....	324	468
Restructured loans	624	603
Total.....	¥27,615	¥30,134

Loans to borrowers in bankruptcy represent non-accrual loans, after the write-offs of loans deemed uncollectable to borrowers who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Order for Enforcement of the Corporation Tax Act.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to borrowers in bankruptcy or delinquent loans.

Restructured loans are loans, other than loans to borrowers in bankruptcy, delinquent loans or loans past due 3 months or more, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥7,081 million and ¥5,966 million as of March 31, 2018 and 2017, respectively.

5. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in the account "Customers' liabilities for acceptances and guarantees," which represents the Bank's right of indemnity from the applicants, and is presented as a contra-account on the assets side of the consolidated balance sheets.

6. Pledged Assets

Assets pledged as collateral as of March 31, 2018 and 2017 were as follows:

	Millions of Yen	
March 31	2018	2017
Pledged assets:		
Securities	¥200,468	¥142,354
Total pledged assets.....	¥200,468	¥142,354
Liabilities covered by pledged assets:		
Deposits	¥ 31,005	¥ 43,046
Payables under securities lending transactions.....	81,956	103,246
Borrowed money	5,400	5,900
Total liabilities covered by pledged assets	¥118,362	¥152,192

In addition to the above, Securities in the amount of ¥45,922 million and ¥91,227 million, and Other assets in the amount of ¥62,626 million and ¥20,682 million were pledged as collateral in connection with exchange settlements and derivatives, etc. as of March 31, 2018 and 2017, respectively.

Security deposits in the amount of ¥787 million and ¥837 million, and cash collateral for financial products transactions in the amount of ¥175 million and ¥98 million, were included in Other assets as of March 31, 2018 and 2017, respectively.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiaries are required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiaries. The unused amount related to such facilities/contracts stood at ¥932,878 million and ¥909,082 million as of March 31, 2018 and 2017, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥814,653 million and ¥788,800 million as of March 31, 2018 and 2017, respectively.

Most of these agreements expire without the clients having utilized the financial resources available under the facilities/contracts, and the unused amount does not necessarily impact the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank or its consolidated subsidiaries demand collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiaries regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets was ¥51,856 million and ¥51,476 million, and advanced depreciation on Tangible fixed assets was ¥1,015 million and ¥1,022 million as of March 31, 2018 and 2017, respectively.

9. Borrowed Money

Borrowed money includes borrowings made under special conditions under which repayment is subordinated to other classes of debt. The amount of the subordinated borrowings totaled ¥16,800 million and ¥26,600 million as of March 31, 2018 and 2017, respectively.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act totaled ¥56,675 million and ¥40,023 million as of March 31, 2018 and 2017, respectively.

11. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2018 and 2017 principally consisted of the following:

March 31	Millions of Yen	
	2018	2017
Salaries and allowances	¥16,554	¥16,761
Net pension cost.....	1,571	1,148

12. Other Income

Other income for the years ended March 31, 2018 and 2017 principally consisted of the following:

March 31	Millions of Yen	
	2018	2017
Gain on sales of stocks and other securities	¥1,425	¥1,550
Gain on bad debts recovered	1	0
Gain on disposal of fixed assets	11	28
Compensation income.....	158	11

Compensation income was the compensation for damage from Tokyo Electric Power Company Holdings, Inc. since the value of depreciable assets and residential land reduced due to the accident at Fukushima Daiichi Nuclear Power Station and Fukushima Daini Nuclear Power Station.

13. Other Expenses

Other expenses for the years ended March 31, 2018 and 2017 principally consisted of the following:

March 31	Millions of Yen	
	2018	2017
Loss on disposal of fixed assets	¥ 116	¥ 254
Loss on impairment of fixed assets	303	80
Transfer to cash collateral for financial products transactions...	0	0
Provision of allowance for loan losses.....	1,556	1,299
Write-off of loans.....	31	24

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the years ended March 31, 2018 and 2017:

Area	Purpose of use	Type	(Millions of Yen)	
			2018	2017
Fukushima Area	Branch premises	Land	¥279	¥29
		Building	12	—
		Premium	—	2
		Other	0	—
	Idle assets	Land	9	42
		Building	1	6
Total			¥303	¥80

The Bank uses for recognition of loss on impairment the estimated unrecoverable amount in its branch premises, company housings and idle assets, grouped based on individual branch unit (however, group of branches where the connection between income and expenditure is mutually complementary are identified as a group unit), which is the smallest unit of grouping used in revenue management.

In addition, each idle asset is treated as independent unit.

The recoverable amount of an asset group is calculated based on net realizable value. The net realizable value is principally based on real estate appraisals where net realizable value of immaterial real estate is determined by deducting the estimated costs of disposal from the amount calculated based on the index appropriately reflecting the market price such as land tax assessment.

14. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2018 and 2017 were summarized as follows:

	(Thousand Shares)			
	Number of Shares as of April 1, 2017	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2018
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	440	1	—	442

(*) Increase in the number of Treasury stock by 1 thousand shares is a result of acquisition of odd-lot shares.

	(Thousand Shares)			
	Number of Shares as of April 1, 2016	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2017
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	433	6	—	440

(*) Increase in the number of Treasury stock by 6 thousand shares is a result of acquisition of odd-lot shares.

Detailed information about cash dividends paid during the year ended March 31, 2018 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 26, 2017	Common Stock	1,008	¥4.00	March 31, 2017	June 27, 2017
Board of Directors on November 9, 2017	Common Stock	1,008	¥4.00	September 30, 2017	December 5, 2017

Detailed information about cash dividends paid during the year ended March 31, 2017 was as follows:

Date of Approval	Type of Shares	Total Dividends (\$ million)	Dividend Per Share (*)	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2016	Common Stock	1,134	¥4.50	March 31, 2016	June 27, 2016
Board of Directors on November 10, 2016	Common Stock	1,008	¥4.00	September 30, 2016	December 5, 2016

(*) Dividend per share resolved by the Board of Directors meeting held on June 24, 2016 includes ¥0.50 per share of commemorative dividend for the Bank's 75th anniversary since establishment.

Dividends with record dates on or before March 31, 2018 and effective dates after April 1, 2018 were as follows:

Date of Approval	Type of Shares	Total Dividends (\$ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 22, 2018	Common Stock	1,008	Retained Earnings	¥4.00	March 31, 2018	June 25, 2018

Dividends with record dates on or before March 31, 2017 and effective dates after April 1, 2017 were as follows:

Date of Approval	Type of Shares	Total Dividends (\$ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 26, 2017	Common Stock	1,008	Retained Earnings	¥4.00	March 31, 2017	June 27, 2017

15. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets as of March 31, 2018 and 2017, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

March 31	Millions of Yen	
	2018	2017
Cash and due from banks	¥1,417,119	¥1,157,095
Ordinary due from banks	(382)	(354)
Fixed term due from banks	—	(7,000)
Other	(310)	(194)
Cash and cash equivalents	¥1,416,427	¥1,149,546

16. Deferred Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were summarized as follows:

	Millions of Yen	
	2018	2017
Deferred tax assets:		
Allowance for loan losses	¥ 2,219	¥ 2,653
Net defined benefit liability	4,430	4,662
Valuation difference on available-for-sale securities	5	1
Depreciation	915	974
Revaluation reserve for land	1,847	1,847
Deferred gains or losses on hedges	—	891
Others	3,400	3,413
Valuation allowance	(3,242)	(3,329)
Total deferred tax assets	9,577	11,116
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(6,697)	(8,574)
Revaluation reserve for land	(2,904)	(2,990)
Others	(7)	(3)
Total deferred tax liabilities	(9,608)	(11,568)
Net deferred tax assets (liabilities)	¥ (31)	¥ (452)

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheet as of March 31, 2018 and 2017.

	Millions of Yen	
	2018	2017
Deferred tax assets	¥3,078	¥2,686
Deferred tax liabilities	205	148
Deferred tax liabilities for land revaluation	2,904	2,990

The following summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2018 and 2017:

Year ended March 31	2018	2017
Statutory tax rate	30.3%	30.3%
Non-deductible expenses	1.0	1.3
Elimination of dividends received from consolidated subsidiaries ...	5.2	5.8
Non-taxable income	(6.0)	(6.8)
Per capita inhabitant taxes	0.3	0.4
Valuation allowance	(0.7)	1.1
Reduction of year-end deferred tax assets due to tax rate changes ...	0.4	—
Others	1.3	(0.2)
Effective tax rate	31.8%	31.9%

During the year ended March 31, 2018, capital stock of Toho Credit Guarantee Co., Ltd., the Bank's consolidated subsidiary, exceeded ¥100 million, and the subsidiary became subject to size-based business tax. Accordingly, the statutory tax rate applied to calculate deferred tax assets and liabilities of the consolidated subsidiary was revised from 34.2% for the year ended March 31, 2017 to 30.1%.

The effect of this change in statutory tax rate is immaterial.

17. Retirement Benefits

The Bank and its consolidated subsidiaries have a corporate pension fund plan and a lump-sum retirement payment plan (transferred from the welfare pension fund system on October 1, 2004) as defined benefit plans. For the calculation of net defined benefit liability and net pension cost, certain consolidated subsidiaries have adopted the simplified method where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

Retirement benefits in the corporate pension fund plan and the lump-sum retirement payment plan are calculated based on points.

On April 1, 2014 (the Date of Enforcement), the Bank has revised its retirement benefit plans whereby a part of the future payments of defined benefit plans transferred to defined contribution plans.

The Bank has set up retirement benefit trusts for lump-sum retirement payment plan from the end of year ended March 31, 2015.

A. Defined benefit plans (including those of the consolidated subsidiaries applying the simplified method)

(i) Change in retirement benefit obligation

March 31	Millions of Yen	
	2018	2017
Balance at beginning of the year	¥38,148	¥38,547
Service cost.....	882	884
Interest cost.....	288	235
Actuarial (gain) loss.....	392	(58)
Benefit paid	(1,310)	(1,460)
Others	(2)	—
Balance at end of the year	¥38,399	¥38,148

(ii) Change in plan assets

March 31	Millions of Yen	
	2018	2017
Balance at beginning of the year	¥31,679	¥31,308
Expected return on plan assets	634	621
Actuarial gain (loss).....	409	(91)
Employer contributions	739	569
Benefit paid	(807)	(814)
Others	115	85
Balance at end of the year	¥32,770	¥31,679

(iii) Retirement benefit obligation and plan assets at end of the year and reconciliation of net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

March 31	Millions of Yen	
	2018	2017
Funded retirement benefit obligation	¥ 38,294	¥ 38,051
Plan assets.....	(32,770)	(31,679)
	5,523	6,371
Unfunded retirement benefit obligation	105	97
Amount of liability, net of asset, recognized in consolidated balance sheet.....	5,629	6,469
Net defined benefit liability.....	5,629	6,469
Amount of liability, net of asset, recognized in consolidated balance sheet.....	¥ 5,629	¥ 6,469

(iv) Net pension cost and its breakdown

March 31	Millions of Yen	
	2018	2017
Service cost.....	¥ 882	¥ 884
Interest cost	288	235
Expected return on plan assets	(634)	(621)
Amortization of actuarial loss	1,154	1,060
Amortization of prior service cost	—	(307)
Others	(120)	(85)
Net pension cost	¥1,571	¥1,166

(v) Remeasurements of defined benefit plans in other comprehensive income
The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

	Millions of Yen	
	2018	2017
Prior service cost	¥ —	¥ (307)
Actuarial gain.....	1,171	1,027
Total.....	¥1,171	¥ 720

(vi) Remeasurements of defined benefit plans in accumulated other comprehensive income
The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

	Millions of Yen	
	2018	2017
Unrecognized actuarial gain.....	¥4,541	¥5,712
Total.....	¥4,541	¥5,712

(vii) Plan assets

(a) Percentage by major category of plans assets was as follows:

	2018	2017
General account of life insurance companies	30%	30%
Bonds	28%	33%
Equities	32%	23%
Cash and due from banks.....	5%	10%
Others	5%	4%
Total.....	100%	100%

Retirement benefit trusts established for lump-sum retirement payment plan account for 27% and 28% of total plan assets for the years ended March 31, 2018 and 2017, respectively.

(b) Basis of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Group considers the current and projected plan asset allocations, as well as current and future long-term rate of returns expected from various categories of the plan assets.

(viii) Actuarial assumptions

Actuarial assumptions as of March 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	0.0%–1.1%	0.0%–1.2%
Long-term expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate of corporate pension fund plan	1.0%–2.2%	1.0%–2.2%
Expected salary increase rate of lump-sum retirement payment plan	1.0%–3.6%	1.0%–3.6%

B. Defined contribution pension plans

Contributions to be paid to defined contribution pension plans were ¥158 million and ¥153 million for the years ended March 31, 2018 and 2017, respectively.

18. Per Share Information

Net assets per share as of March 31, 2018 and 2017 and basic earnings per share for the years ended March 31, 2018 and 2017 were as follows:

As of March 31	Yen	
	2018	2017
Net assets per share	¥793.34	¥778.22
Basic earnings per share	29.11	28.07

Note 1: The bases for the computation of net assets per share are set out below.

	Millions of Yen / Thousands of Shares	
	2018	2017
As of or year ended March 31		
Total net assets.....	¥199,968	¥196,159
Net assets related to common stock.....	199,968	196,159
Number of common stock used to calculate net assets per share	252,057	252,059

Note 2: The bases for the computation of basic earnings per share are set out below.

	Millions of Yen / Thousands of Shares	
	2018	2017
Year ended March 31		
Profit attributable to owners of parent.....	¥ 7,339	¥ 7,077
Profit attributable to common shareholders of parent.....	7,339	7,077
Weighted average number of common stock during the year.....	252,058	252,061

19. Leases Transactions

(Lessor)

(a) Breakdown of lease investment assets

	Millions of Yen	
	2018	2017
As of March 31		
Lease receivables.....	¥9,741	¥8,432
Residual value.....	202	110
Equivalent amount of maintenance cost.....	(385)	(367)
Unearned interest income.....	(659)	(549)
Lease investment assets.....	¥8,897	¥7,625

The scheduled collection of lease receivables related to lease investment assets subsequent to March 31, 2018 and 2017

	Millions of Yen	
	2018	2017
As of March 31		
Due within 1 year or less	¥2,953	¥2,772
Due in 1 year to 2 years	2,387	2,185
Due in 2 years to 3 years.....	1,811	1,613
Due in 3 years to 4 years.....	1,367	1,041
Due in 4 years to 5 years.....	810	614
Due after 5 years	409	204
Total.....	¥9,741	¥8,432

20. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group provides banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day, short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. In addition, the Group engages in interest rate-, currency-, and bond-related transactions as derivative transactions which include transactions for the purpose of hedging and transactions for the purpose other than hedging.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, where difficulty occurs in recovering the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Aside from derivative instruments (i.e., interest rate and currency swaps) distributed directly to customers, the Group may enter into interest rate swaps as a part of its ALM operations to hedge its borrowings. Derivative transactions qualified for hedge accounting are accounted for separately using the hedge accounting standards. To secure foreign-currency denominated funds for currency-related services, the Group may utilize foreign exchange forward contracts and bond options trading at over-the-counter to increase interest income, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions with large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM policies are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the variance-covariance method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of combination of both 1 and 5 years) has been adopted. As of March 31, 2018 and 2017, the Group's market risk quantity (estimated loss) in total is ¥50,344 million and ¥75,511 million, respectively. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant.

The Group conducts a backtest to compare the actual income to VaR calculated by the model in order to verify the model. As a result of the backtest conducted, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

- (iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.
- (4) Supplemental explanation for fair value of financial instruments

The fair value of financial instruments are stated at amounts based on market prices or reasonably computed amounts in the case of the absence of observable market prices. The computation of these amounts is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2018 and 2017 for each financial instrument category were provided below. It should be noted that non-listed shares for which fair value is extremely difficult to obtain are not included in the following tables (see Note 2). Also items whose account balance on the consolidated balance sheets are immaterial are not included in the following disclosure.

Millions of Yen			
March 31, 2018	Book value	Fair value	Difference
(1) Cash and due from banks.....	¥1,417,119	¥1,417,119	¥ —
(2) Call loans and bills bought.....	—	—	—
(3) Trading account securities	875	875	—
(4) Securities:			
Available-for-sale securities	1,182,783	1,182,783	—
(5) Loans and bills discounted.....	3,261,214		
Allowance for loan losses (*1)	(12,008)		
	3,249,206	3,283,048	33,842
Total assets	¥5,849,984	¥5,883,827	¥33,842
(1) Deposits	¥5,223,747	¥5,223,852	¥ 104
(2) Negotiable certificates of deposits	438,579	438,579	0
(3) Payables under securities lending transactions...	81,956	81,956	—
Total liabilities	¥5,744,284	¥5,744,389	¥ 104
Derivative transactions (*2):			
Hedge accounting is not applied.....	¥ 1,565	¥ 1,565	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions.....	¥ 1,565	¥ 1,565	¥ —

Millions of Yen			
March 31, 2017	Book value	Fair value	Difference
(1) Cash and due from banks.....	¥1,157,095	¥1,157,095	¥ —
(2) Call loans and bills bought	3,000	3,000	—
(3) Trading account securities	149	149	—
(4) Securities:			
Available-for-sale securities	1,515,429	1,515,429	—
(5) Loans and bills discounted.....	3,224,997		
Allowance for loan losses (*1)	(12,056)		
	3,212,940	3,248,227	35,286
Total assets	¥5,888,615	¥5,923,902	¥35,286
(1) Deposits	¥5,230,935	¥5,231,165	¥ 230
(2) Negotiable certificates of deposits	390,383	390,383	0
(3) Payables under securities lending transactions...	103,246	103,246	—
Total liabilities	¥5,724,566	¥5,724,796	¥ 230
Derivative transactions (*2):			
Hedge accounting is not applied.....	¥ 418	¥ 418	¥ —
Hedge accounting is applied	(2,963)	(2,963)	—
Total derivative transactions	¥ (2,544)	¥ (2,544)	¥ —

(*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.

Net credit/debit arising from derivative transactions is stated on a net basis, and amounts in parentheses indicate net credit balance.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

Cash and due from banks with no maturities is stated at the book value, since the book value approximates fair value. Cash and due from banks with set maturities is carried at the present value of future cash flows estimated by maturity category that are discounted at the assumed interest rate applicable to new deposits at the balance sheet date. In addition, those that are due within one year are stated at the book value, which approximates fair value.

(2) Call loans and bills bought

They are due within one year and are stated at the book value, which approximates fair value.

(3) Trading account securities

The bonds and other securities, including government and municipal/public bonds held as sales agents thereof, are stated at the value announced by Japan Securities Dealers Association or quoted by financial institutions with which the Bank transacts business.

(4) Securities

Equity shares are stated at prices quoted in applicable stock exchanges, and bonds are stated at the value announced by Japan Securities Dealers Association. Investment trusts are stated at the publicized base prices or the base prices quoted by financial institutions with which the Bank transacts business. Investments in associations, if the fair value of assets held by such associations is obtainable, are stated at fair value on a pro rata basis in proportion of the Group's interests held in such associations' net assets. The fair value of privately placed bonds guaranteed by the Bank is computed in a manner similar to the loans described below.

(5) Loans and bills discounted

Loans are grouped by type and internal credit rating, and the fair value of a group of loans is computed by discounting the aggregate principal/interest amount by the theoretical value of an interest rate that reflects the expected loss rate of each borrower's category. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

The fair value of the loans to which the special accounting treatment of hedge accounting for interest rate swaps is applied is evaluated together with their hedging instruments. For loans extended to bankrupt, effectively bankrupt and potentially bankrupt borrowers, estimated loss given default are computed based on expected recoverable amounts through the disposal of the collaterals and execution of guarantees. Therefore, their fair values are stated at the amounts derived by subtracting the estimated loss given default from the carrying amounts of loans as of the consolidated balance sheet date, since the book value is presumed to approximate the fair value.

Loans with no stated maturities, such as loan facilities where loans are provided within a certain limit determined by pledged collateral value, are stated at their book values, as the book value is presumed to approximate fair value, based on the expected repayment periods, interest rate conditions and other terms and conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposits

Demand deposits are stated at amounts payable (i.e., book value if demanded on the consolidated balance sheet date). To arrive at the fair value of time deposits and others, deposits are grouped by deposit type, and the present value of expected future cash flows for each such group is computed by discounting the total of principals and interests. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposits due within one year, they are stated at their book values, which are presumed to approximate the fair values.

(3) Payables under securities lending transactions

These are due within one year and are stated at the book value, which approximates fair value.

Derivative transactions

Derivative transactions include interest rate swaps, currency swaps and foreign exchange forward contracts. They are stated at the prices at exchanges or at prices computed from their discounted present values, among others.

(Note 2) The fair values of the following financial products are extremely difficult to determine and, therefore, are not included in "Assets (4) Available-for-sale securities."

March 31	Millions of Yen	
	2018	2017
(i) Non-listed shares (*1) (*2)	¥ 2,108	¥ 2,159
(ii) Investments in associations (*3)	10,816	7,851
Total	¥12,925	¥10,010

(*1) The fair values of non-listed shares, which have no readily available market prices, are extremely difficult to determine. Therefore, they are excluded from fair-value disclosure.

(*2) Impairment loss on non-listed shares in the amount of ¥121 million was posted for the year ended March 31, 2017. There was no loss on impairment for the year ended March 31, 2018.

(*3) For investments in associations, assets included in the asset portfolios of such associations are excluded from fair-value disclosure, if the fair values of such assets, including real estate, are extremely difficult to determine.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2018 and 2017

March 31, 2018	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥1,369,898	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	—	—	—	—	—	—
Securities:	249,514	252,137	247,781	125,645	105,699	45,936
Available-for-sale securities with maturity	249,514	252,137	247,781	125,645	105,699	45,936
National government bonds thereof	78,299	38,137	158,161	93,566	37,100	45,828
Local government bonds thereof	73,301	55,564	7,971	4,430	8,077	—
Corporate bonds thereof	80,075	118,610	40,482	16,649	8,314	—
Loans (*)	752,948	580,151	469,808	333,022	358,607	680,670
Total	¥2,372,361	¥832,288	¥717,590	¥458,668	¥464,307	¥726,607

(*4) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥26,667 million, loans with no stated maturities of ¥59,339 million were not included.

March 31, 2017	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥1,107,160	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	3,000	—	—	—	—	—
Securities:	282,971	442,131	151,019	249,626	134,322	92,975
Available-for-sale securities with maturity	282,971	442,131	151,019	249,626	134,322	92,975
National government bonds thereof	91,332	117,142	60,068	171,795	58,812	91,923
Local government bonds thereof	64,310	116,242	17,198	6,556	8,117	—
Corporate bonds thereof	103,307	159,969	46,002	18,091	9,261	—
Loans (*)	765,097	585,183	483,144	322,328	366,180	619,762
Total	¥2,158,229	¥1,027,314	¥634,163	¥571,955	¥500,502	¥712,737

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥29,063 million, loans with no stated maturities of ¥54,237 million were not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2018 and 2017

March 31, 2018	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits (*)	¥5,031,516	¥167,575	¥24,628	¥16	¥10	¥—
Negotiable certificates of deposit	438,549	30	—	—	—	—
Payables under securities lending transactions	81,956	—	—	—	—	—
Total	¥5,552,022	¥167,605	¥24,628	¥16	¥10	¥—

(*) Demand deposits are disclosed under "Due within 1 year or Less."

March 31, 2017	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits (*)	¥5,023,038	¥181,565	¥26,303	¥15	¥12	¥—
Negotiable certificates of deposit	390,143	240	—	—	—	—
Payables under securities lending transactions	103,246	—	—	—	—	—
Total	¥5,516,429	¥181,805	¥26,303	¥15	¥12	¥—

(*) Demand deposits are disclosed under "Due within 1 year or Less."

21. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

March 31	Millions of Yen	
	2018	2017
Realized gain included in earnings.....	¥(0)	¥0

(b) Held-to-maturity securities

None

(c) Available-for-sale securities

	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
March 31, 2018			
Securities with their carrying amount over their acquisition cost:			
Corporate stock.....	¥ 40,731	¥ 23,760	¥16,971
Bonds:.....	787,421	774,200	13,220
National government.....	402,070	391,398	10,672
Local government.....	141,420	140,385	1,034
Corporate.....	243,930	242,416	1,513
Other.....	73,630	72,132	1,498
Sub-total.....	901,783	870,093	31,690
Securities with their carrying amount below their acquisition cost:			
Corporate stock.....	4,705	5,394	(688)
Bonds:.....	77,149	77,854	(704)
National government.....	49,023	49,613	(590)
Local government.....	7,924	7,951	(27)
Corporate.....	20,201	20,289	(87)
Other.....	199,145	207,392	(8,246)
Sub-total.....	280,999	290,640	(9,640)
Total.....	¥1,182,783	¥1,160,733	¥22,050

March 31, 2017	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock.....	¥ 4,099	¥1,277	¥ 51
Bonds:.....	90,696	4,156	3,931
National government.....	82,600	4,150	3,931
Corporate.....	8,095	5	—
Other.....	38,774	792	654
Total.....	¥133,570	¥6,226	¥4,637

(e) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

There was no loss on impairment for the years ended March 31, 2018 and 2017.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated year, or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair values.

(f) Valuation difference on available-for-sale securities

March 31, 2018	Millions of Yen
Unrealized gain before income tax effect.....	¥22,050
Available-for-sale securities.....	22,050
Less: deferred tax liabilities	6,548
Unrealized gain before adjustment.....	15,501
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	—
Valuation difference on available-for-sale securities.....	¥15,501

March 31, 2017	Millions of Yen
Unrealized gain before income tax effect.....	¥28,333
Available-for-sale securities.....	28,333
Less: deferred tax liabilities	8,428
Unrealized gain before adjustment.....	19,905
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	—
Valuation difference on available-for-sale securities.....	¥19,905

(g) Investments in unconsolidated subsidiaries and affiliates

Securities in the Assets section included investments in unconsolidated subsidiaries and affiliates of ¥891 million and ¥903 million as of March 31, 2018 and 2017, respectively.

(h) Unsecured loaned securities

Unsecured loaned securities, which borrowers have the right to sell or pledge in the amount of ¥44,626 million and ¥55,369 million as of March 31, 2018 and 2017, respectively, were included in National government bonds.

(d) Available-for-sale securities sold

March 31, 2018	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock.....	¥ 3,439	¥ 857	¥ —
Bonds:.....	104,951	4,178	3,620
National government.....	103,550	4,178	3,620
Corporate	1,400	0	—
Other.....	69,979	861	1,101
Total.....	¥178,371	¥5,896	¥4,721

22. Money held in trust

Money held in trust as of March 31, 2018 and 2017 consisted of the following:

(a) Money held in trust for trading purpose

	Millions of Yen	
March 31	2018	2017
Carrying amount	¥6,864	¥6,588
Realized gain/(loss) included in earnings.....	—	—

(b) Money held in trust for held-to-maturity

None

(c) Other money held in trust

	Millions of Yen	
March 31	2018	2017
Carrying amount	¥6,850	¥6,000
Acquisition cost.....	6,850	6,000
Net unrealized gain/(loss).....	—	—
Gross unrealized gain.....	—	—
Gross unrealized loss.....	—	—

23. Derivatives

(a) Derivatives transactions to which hedge accounting is not applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type as well as fair value and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

March 31	Millions of Yen							
	2018		2017		Contract Amounts	Fair Value		
	Total	Over 1 Year	Total	Over 1 Year				
Over-the-counter transactions:								
Interest-rate swaps:								
Receivable fixed/payable floating	¥6,504	¥6,197	¥126	—	—	—		
Receivable floating/payable fixed	6,504	6,197	(40)	—	—	—		
Receivable floating/payable floating	—	—	—	—	—	—		
	¥ 86			¥—				

Currency derivatives

March 31	Millions of Yen							
	2018		2017		Contract Amounts	Fair Value		
	Total	Over 1 Year	Total	Over 1 Year				
Over-the-counter transactions:								
Currency swap								
Currency swap	¥15,977	¥9,993	¥ 9	¥16,140	¥12,631	¥ 4		
Forward exchange contracts:								
Sold	53,405	—	1,415	63,086	—	365		
Bought	15,289	—	54	13,699	—	49		
	¥1,478			¥418				

(b) Derivatives transactions to which hedge accounting is applied

The contract amount or the contractual notional amount by transaction type and method of hedge accounting, fair value at the balance sheet date as well as the methods used for deriving the fair value are summarized below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

March 31, 2018	Hedged items	Millions of Yen	
		Contract Amounts	Fair Value
Principle method:		Total	Over 1 Year
Interest-rate swaps:			
Receivable floating/payable fixed	Available-for-sale securities (Debt securities)	¥ —	¥ —
Special treatment for interest rate swaps:			
Interest-rate swaps:	Loans to borrowers	¥15,636	¥3,787 (Note 3)

March 31, 2017	Hedged items	Millions of Yen	
		Contract Amounts	Fair Value
Principle method:		Total	Over 1 Year
Interest-rate swaps:			
Receivable floating/payable fixed	Available-for-sale securities (Debt securities)	¥25,000	¥25,000 ¥(2,963)
Special treatment for interest rate swaps:			
Interest-rate swaps:	Loans to borrowers	¥25,328	¥15,636 (Note 3)

- Notes: 1. Hedge accounting is carried out by specifically associating hedged items with hedging instruments or through deferred hedging in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).
 2. Market values of exchange-traded transactions are based on closing prices on the Tokyo Financial Exchange Inc., etc. Market values of over-the-counter transactions are based on discounted cash flow method, option pricing models, etc.
 3. As interest swaps subject to the special treatment are accounted for in combination with the hedged loans to borrowers, their fair values are included in fair values of such hedged loans in "20. Financial Instruments and Related Disclosure."

24. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

March 31	Millions of Yen	
	2018	2017
Valuation difference on available-for-sale securities:		
Losses recognized during the year	¥(1,057)	¥ (8,713)
Reclassification adjustment to net income	(5,223)	(5,787)
Amount before tax effect	(6,280)	(14,501)
Tax effect	1,876	4,367
Valuation difference on available-for-securities	(4,403)	(10,133)
Deferred gains or losses on hedges		
Gains (losses) recognized during the year	(543)	24
Reclassification adjustment to net income	3,506	3,664
Amount before tax effect	2,963	3,688
Tax effect	(891)	(1,110)
Deferred gains or losses on hedges	2,071	2,578
Remeasurements of defined benefit plans:		
Gains (losses) recognized during the year	16	(32)
Reclassification adjustment to net income	1,154	753
Amount before tax effect	1,171	720
Tax effect	(352)	(216)
Remeasurements of defined benefit plans	818	503
Total other comprehensive income	¥(1,513)	¥ (7,051)

25. Segment Information

(a) Segment information

1. Outline of reportable segments

The reportable segments of the Group are those units for which discrete financial information can be obtained and which are regularly examined by the Board of Directors in order to decide how to allocate management resources and to evaluate the operating results.

The Group, comprised of the Bank and its seven subsidiaries, provides financing services with a focus on banking, securities, leasing, credit card and credit guaranteeing. The Bank is categorized under the reportable segment "Banking," which consists of money transfer business, lending business, foreign exchange business and their associated businesses.

2. Calculation method for the amount of ordinary income, segment profit or loss, assets, liabilities and other items by the reportable segment

Accounting treatment for reportable segments is consistent with those described in "2. Summary of Significant Accounting Policies."

Segment profit is based on ordinary profit.

Ordinary income from internal transactions is based on transaction prices between third parties.

Information on ordinary income, segment profit or loss, assets, liabilities and other items is as follows:

Year ended March 31, 2018	Millions of Yen				
	Reportable segment	Banking	Other	Total	Adjustments
Ordinary income:					
From external customers.....	¥ 63,312	¥ 7,292	¥ 70,605	¥ 0	¥ 70,605
From internal transactions	1,179	3,071	4,251	(4,251)	—
Total	¥ 64,491	¥ 10,364	¥ 74,856	¥ (4,251)	¥ 70,605
Segment profit.....	¥ 10,162	¥ 2,685	¥ 12,848	¥ (1,828)	¥ 11,019
Segment assets	¥ 6,017,487	¥ 37,150	¥ 6,054,638	¥ (27,483)	¥ 6,027,154
Segment liabilities	¥ 5,823,588	¥ 19,926	¥ 5,843,515	¥ (16,329)	¥ 5,827,186
Other:					
Depreciation expense	¥ 2,106	¥ 206	¥ 2,313	¥ 83	¥ 2,397
Interest income.....	41,325	1,103	42,429	(1,889)	40,539
Interest expense	2,632	35	2,667	(28)	2,639
Increase in tangible and intangible fixed assets	2,857	14	2,871	67	2,938

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. "Other" is a business segment that is not included in the reportable segment, which consists of leasing, credit card and credit guaranteeing.

3. Adjustments are as follows:

- (a) Adjustments in ordinary income from external customers of ¥0 million are adjustments of interest on securities held by consolidated subsidiaries.
- (b) Adjustments in segment profit of ¥(1,828) million include elimination of intersegment transactions of ¥(1,859) million.
- (c) Adjustments in segment assets of ¥(27,483) million are elimination of intersegment transactions.
- (d) Adjustments in segment liabilities of ¥(16,329) million are elimination of intersegment transactions.
- (e) Adjustments in depreciation expense of ¥83 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.
- (f) Adjustments in interest income of ¥(1,889) million are elimination of intersegment transactions.
- (g) Adjustments in interest expense of ¥(28) million are elimination of intersegment transactions.
- (h) Adjustments in increase in tangible and intangible fixed assets of ¥67 million are the acquisition cost of the leased assets acquired in leasing segment ("Other") under the contract with other segments.

4. Segment profit is calculated by adjusting the ordinary profit in the consolidated statements of income.

Information on ordinary income, segment profit or loss, assets, liabilities and other items is as follows:

Year ended March 31, 2017	Millions of Yen				
	Reportable segment	Banking	Other	Total	Adjustments
Ordinary income:					
From external customers.....	¥ 63,705	¥ 6,648	¥ 70,353	¥ (53)	¥ 70,300
From internal transactions	1,140	3,114	4,255	(4,255)	—
Total	¥ 64,845	¥ 9,762	¥ 74,608	¥ (4,308)	¥ 70,300
Segment profit.....	¥ 10,629	¥ 2,040	¥ 12,669	¥ (1,977)	¥ 10,691
Segment assets	¥ 6,014,123	¥ 35,781	¥ 6,049,905	¥ (26,622)	¥ 6,023,282
Segment liabilities	¥ 5,822,830	¥ 18,870	¥ 5,841,701	¥ (14,579)	¥ 5,827,122
Other:					
Depreciation expense	¥ 2,547	¥ 200	¥ 2,747	¥ 59	¥ 2,806
Interest income.....	41,554	1,178	42,732	(2,022)	40,710
Interest expense	2,559	44	2,604	(35)	2,568
Increase in tangible and intangible fixed assets	3,237	294	3,531	97	3,628

- Notes:
1. Ordinary income is stated in lieu of sales of general enterprises.
 2. "Other" is a business segment that is not included in the reportable segment, which consists of leasing, credit card and credit guaranteeing.
 3. Adjustments are as follows:
 - (a) Adjustments in ordinary income from external customers of ¥(53) million are provision for allowance for loan losses.
 - (b) Adjustments in segment profit of ¥(1,977) million include elimination of intersegment transactions of ¥(1,980) million.
 - (c) Adjustments in segment assets of ¥(26,622) million are elimination of intersegment transactions.
 - (d) Adjustments in segment liabilities of ¥(14,579) million are elimination of intersegment transactions.
 - (e) Adjustments in depreciation expense of ¥59 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.
 - (f) Adjustments in interest income of ¥(2,022) million are elimination of intersegment transactions.
 - (g) Adjustments in interest expense of ¥(35) million are elimination of intersegment transactions.
 - (h) Adjustments in increase in tangible and intangible fixed assets of ¥97 million are the acquisition cost of the leased assets acquired in leasing segment ("Other") under the contract with other segments.
 4. Segment profit is calculated by adjusting the ordinary profit in the consolidated statements of income.

(b) Related information

1. Information by services

Income regarding major services for the years ended March 31, 2018 and 2017 was as follows:

Year ended March 31, 2018	Millions of Yen				
	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers.....	¥28,614	¥16,785	¥15,784	¥9,420	¥70,605
Millions of Yen					
Year ended March 31, 2017	Lending	Securities and Investment	Fees and Commissions	Other	Total
	¥28,412	¥17,459	¥14,972	¥9,455	¥70,300

Note: Ordinary income is stated in lieu of sales of general enterprises.

2. Geographical information

(i) Ordinary income

Ordinary income from external domestic customers exceeded 90% of total income on the consolidated statements of income for the years ended March 31, 2018 and 2017, therefore geographical income information is not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2018 and 2017, therefore geographical tangible fixed assets information is not disclosed.

3. Major customer information

Ordinary income from no customer exceeded 10% of total income on the consolidated statements of income for the years ended March 31, 2018 and 2017, therefore major customer information is not disclosed.

(c) Information on impairment of fixed assets for each reportable segment:

Year ended March 31, 2018	Millions of Yen		
	Reportable segment	Banking	Other
Impairment loss	¥290	¥13	¥303

Year ended March 31, 2017	Millions of Yen		
	Reportable segment	Banking	Other
Impairment loss	¥80	¥—	¥80

(d) Information on amortization of goodwill and its remaining balance for each reportable segment:

None

(e) Information related to gain on negative goodwill for each reportable segment:

None

26. Related Party Transactions

Related party transactions for the year ended March 31, 2018

(a) Transactions between the Bank and related parties

Type	Name	Capital stock (¥million)	Voting share ownership (%)	Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2018 (¥million)
Executive officer and close family members holding majority of voting rights	Aizu Shuzo Co., Ltd.	¥60	—	Customer with credit limit	Funding of loans	(Average balance) ¥157	Loans and bills discounted	¥178

Note: The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

Related party transactions for the year ended March 31, 2017

(a) Transactions between the Bank and related parties

Type	Name	Capital stock (¥million)	Voting share ownership (%)	Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2017 (¥million)
Executive officer and close family members holding majority of voting rights	Aizu Shuzo Co., Ltd.	¥60	—	Customer with credit limit	Funding of loans	(Average balance) ¥170	Loans and bills discounted	¥169

Note: The terms and conditions, and the business decisions are determined and made in the same way as other ordinary transactions.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

27. Subsequent Events

None

28. Supplementary schedule

(a) Schedule of bonds

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2017 (Millions of Yen)	Balance as of March 31, 2018 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥34,402	¥23,957	0.64	—
Loans payable	34,402	23,957	0.64	From April 2018 to November 2024
Lease obligation:				
Due within 1 year or less	—	—	—	
Due after 1 year	—	—	—	

Notes: 1. Average interest rate is stated at weighted average interest rate and balance as of March 31, 2018.

2. The repayment schedule of loans payable for five years subsequent to March 31, 2018, is summarized as follows:

	Millions of Yen				
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Loans payable	¥6,053	¥427	¥277	¥166	¥106

Since banking business includes such operations as deposit taking, and raising/use of funds from the call money and bills market, the schedule of borrowing and similar instruments includes only "Borrowed money" in "Liabilities" of the consolidated balance sheets.

(c) Schedule of asset retirement obligations

Schedule of asset retirement obligations is omitted because the amounts of asset retirement obligations at the beginning and the end of the year ended March 31, 2018 are equal to or less than one percent of the total of liabilities and net assets as of then.

Report of Independent Auditors



Building a better
working world

Ernst & Young ShinNihon LLC
Hibya Mitsui Tower, Tokyo Midtown Hibya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
The Toho Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Toho Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Toho Bank, Ltd. and its consolidated subsidiaries as of March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

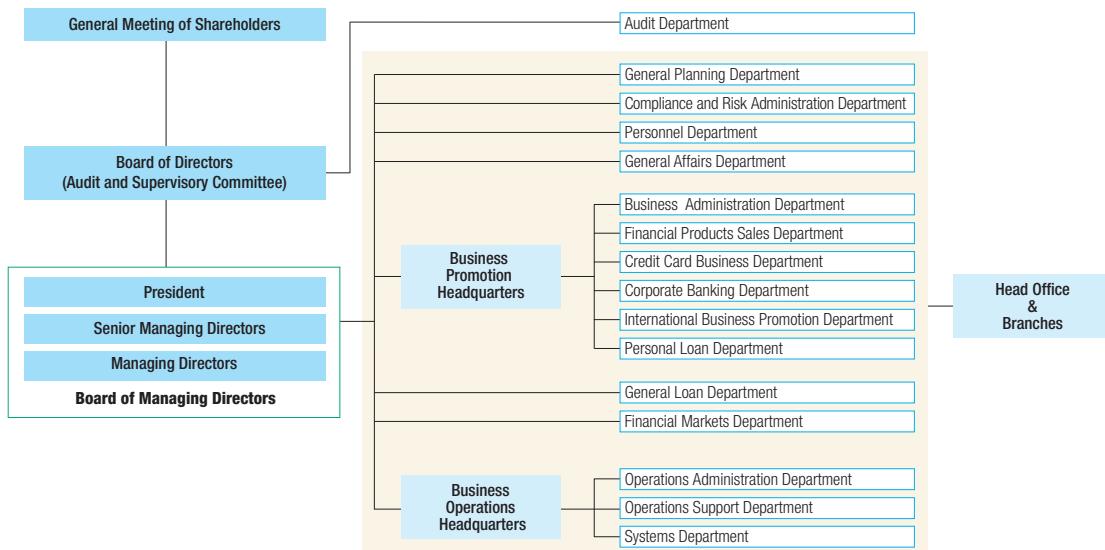
Ernst & Young ShinNihon LLC

June 19, 2018
Fukushima, Japan

◆ Board of Directors and Auditors

President:	Senior Managing Directors:	Managing Directors:	Directors:	Directors Audit and Supervisory Committee Member:
Seishi Kitamura	Seiji Takeuchi Minoru Sato	Michio Sakai Hideho Suto Takayuki Ishii Kiichi Yokoyama Fumitoshi Kuge Satoshi Aoki	Tomohiro Komiya Koichi Yabuki Shintaro Taguchi (Outside) Hayao Watanabe (Outside)	Shinsuke Tanno Masayuki Sakaji Keiichi Akagi (Outside) Toru Hara (Outside) Takashi Fujiwara (Outside) Asao Aono (Outside)

◆ Organization



◆ Network

SUBSIDIARIES AND AFFILIATES

Name	Line of Business	Established in	Capital (Millions of yen)	Bank's Share in Capital (%)
Toho Securities Co., Ltd.	Securities	2015	3,000	100
The Toho Lease Co., Ltd.	Leasing	1985	60	50.0
The Toho Card Co., Ltd.	Credit card	1985	30	50.0
The Toho Credit Service Co., Ltd.	Credit card	1990	30	50.0
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	110	50.0
The Toho Information System Co., Ltd.	Calculation operations and Developing software	1983	60	39.6
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100

HEADQUARTERS

3-25, Ohmachi, Fukushima 960-8633, Japan
 Phone: 81-24-523-3131
 Facsimile: 81-24-524-1583
 SWIFT: TOHOJPJT

(As of June 30, 2018)



THE TOHO BANK, LTD.

HEAD OFFICE

3-25, Ohmachi, Fukushima 960-8633, Japan Phone: 81-24-523-3131

URL: <http://www.tohobank.co.jp/>